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C O N F I D E N T I A L SECTION 01 OF 02 DUBAI 000491

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DEPT FOR NEA/ARP REUTER AND BAGWELL;
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SENATE FOR GRAHAM; HOUSE FOR INGLIS AND BROWN

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SUBJECT: CODEL GRAHAM MEETS WITH DUBAI EXECUTIVE OFFICE HEAD NABIL AL
YOUSUF

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¶1. (C) Summary: In an August 12 meeting with a CODEL led by Senator Lindsey Graham (R-SC), Nabil al Yousuf (Director of UAE Vice President, Prime Minister and Dubai Ruler Mohammed bin Rashid al Maktoum's (MbR) Executive Office) outlined elements of Dubai's strategic plan and highlighted recent growth trends, focusing on Dubai's investment in knowledge-based industries as a source of future income and jobs. He noted UAE concerns regarding regional stability and demographic issues, stressing that "the Dubai Model" should be promoted as a means toward economic growth and empowerment. As such, it offered the Arab world's large youth population a viable alternative to extremism. While accepting US border security procedures as an understandable reaction to 9/11, he argued implementation should be improved lest the US send the wrong message to its friends. On engaging Israel economically and politically, he implied that while the UAE is a moderate country, it cannot publicly move faster than the larger Arab world. End Summary.

¶2. (U) On August 12 a CODEL led by Senator Lindsey Graham met with the Director of MbR's Executive Office Nabil al Yousuf at its Emirates Towers offices. Senator Graham was accompanied by South Carolina Governor Mark Sanford (R), Congressman Robert Inglis (R-SC), Congressman Henry Brown (R-SC), Graham staffer Matt Rinkunas, the Consul General and ConGen notetaker. The Executive Office - directly modeled on the Executive Office of the President and often supported by outside consulting firms, most notably McKinsey and Co -- functions as MbR's back office, largely supplanting the duties of the Ruler's Court (Diwan), which was the locus of administrative power for all preceding Dubai rulers. Al Yousuf, among other duties, is in charge of Dubai's Strategic Plan.

Dubai to emphasize services and knowledge-based enterprises

¶3. (SBU) CODEL members opened the meeting by expressing USG gratitude for UAE assistance in Afghanistan and then moved on to the topic of Dubai's future plans and economic sustainability. To provide perspective, al Yousuf noted the Emirate's trading history and remarkable growth. He attributed the Emirate's success and current cosmopolitan environment (he admitted Emiratis make up 15 percent or less of the Dubai population, while the overall "official" UAE statistic on the percentage of Emirati nationals is 20 percent) to these commercial roots and forward-thinking leadership. He commented that Dubai has been uniquely successful in using its limited oil wealth to prepare the ground, through the construction of infrastructure (such as the Jebel Ali port), to grow and diversify the economy.

¶4. (U) In 1995, then-Dubai Crown Prince MbR started a push for Dubai to pursue tourism as an alternate source of national

income. Today, tourism generates 13 to 14% to the Emirate's GDP (compared to petroleum's 3-4% GDP contribution), and in 2006 more than 7 million tourists visited Dubai. (Note: MbR has set 15 million tourists as a goal by 2010, a number that even given the massive hotel, airport and other tourism infrastructure construction will be very hard to achieve. End Note.) Al Yousuf outlined Dubai's pioneering development of free zones, including Jebel Ali and the Internet and Media City free zones, a concept now being copied throughout the region. He noted Dubai will continue to innovate and push forward with new free zone-based projects, including the ongoing Dubai International Financial Center and Healthcare City projects. Predicated on Michael Porter's knowledge cluster concepts, these knowledge centers provide tax free havens (no corporate/income tax and no tax or limit on profit and capital repatriation), foreign ownership of land and full foreign ownership (UAE law requires 51% national ownership of almost all types of businesses outside of the free zones).

15. (U) When queried as to why international companies would be attracted to Dubai, al Yousuf pointed to the city's strengths as a regional logistical hub (the region's largest and most modern air and sea ports), its quality of life (as good or better for expatriates than anywhere else in the region) and particularly its foreign investment- friendly posture and governance rules. Elaborating on the tax free status of the UAE, Al Yousuf noted that the only significant taxes in the UAE are: a 5% duty tax on most imports and a 14% tax on total hotel bills. Instead, the Dubai government generates revenues through service fees and, especially, Dubai's (huge and successful) state owned businesses (such as Emirates Airlines, EMAAR properties, and Dubai World).

16. (SBU) Governor Sanford questioned Dubai's knowledge centers' competitiveness given similar technology clusters in nearby India. Al Yousuf reiterated that establishing and conducting business in Dubai is substantially easier and more transparent than in India (with its many foreign investment restrictions, regulations, and systemic corruption). Furthermore, he stated

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that knowledge centers in Dubai and India are complimentary, as India is ill-suited to target the Arabic speaking world. Al Yousuf pointed out that Dubai and Kerala have signed an MOU to establish an internet free zone in that Southern Indian state.

Regional Stability and Demographics remain serious concerns

17. (C) Al Yousuf identified regional stability and local demographics as major issues of concern now and in the future for the Dubai government. He anticipates within ten years nationals will constitute less than 7% of the total Dubai population. Right now, more than 40% of Dubai's population is under the age of 20. Al Yousuf emphasized that the younger generation needs to be assured a place in the expanding economy so that they are not tempted by extremist ideology. (Comment: MbR has relentlessly sought and promoted young talent for Dubai, Inc. To be a young, smart and determined Dubaian is to have a world of opportunities at your feet. Dubai's state enterprises are full of 30-45 year old CEOs and top executives; al Yousuf himself falls in that age range. End Comment.)

18. (U) According to al Yousuf, within 5 years the changing economy will result in a slow down in the current building boom (and an easing in skyrocketing property prices), leading to eventual repatriation of a large portion of the construction workforce to their home countries. In contrast, as the Emirate continues focusing its economy on knowledge intensive industries, it is actively recruiting worldwide for highly educated personnel for knowledge-intensive projects such as the Healthcare city. He pointed out that these initiatives are intertwined, since high caliber expatriate workers are typically not just financially motivated; quality of life issues (health care, leisure, security, education) are also key components in the decision to uproot families and relocate to Dubai.

The "Dubai Model" as an alternative to extremism

¶9. (U) When queried as to the lessons he would pass onto USG policy makers, Al Yousuf quickly pointed out that the region is not just about political conflict. He noted the economic boom and the high levels of financial liquidity (not just from current oil prices, but also from investments being pulled out of the US due to post 9/11 procedures and restrictions) have helped fuel the regions rapid growth and the widespread investment that has taken place in recent years. He referenced Tom Friedman's call for promoting a "Dubai Model" in the Middle East, emphasizing prosperity and economic opportunity as an alternative to extremism. Al Yousuf stated that the region's huge and growing youth population is at a turning point, and "could go either way"; he believes youth need to be educated to "choose prosperity" and given an "opportunity to live."

Fingerprint me, but do it nicely

¶10. (U) Asked about perceptions of the US among Arabs, particularly Arab travelers, al Yousuf elaborated on his and others' experiences entering the US post 9/11. He noted that he travels to the US frequently (in fact, he had just returned from a trip there for a family wedding) and is married to an American. He noted he is often diverted to "secondary inspection" on entry to the US, delaying his entry by up to two hours. He said he understood the need for thorough checking and caution. He underscored that his concern was not the procedures themselves, but the discourteous and abrupt way the procedures were carried out by border agents, who have surprisingly little knowledge of this region or its countries. He said, half jokingly, "I don't mind if you fingerprint and photograph me, but just treat me nicely, like a human being".

Israel, still a difficult topic

¶11. (C) Asked about Israel/Palestine, al Yousuf confirmed that even in Dubai the conflict is seen as a central issue by many. He noted that while the UAE is a moderate country (pointing out the recent Israeli delegation to recent UAE-hosted International Monetary Fund meetings) it is "a part of the larger Arab world" and only one country within the Arab League. (Comment: Al Yousuf's clear implication was that it could not publicly get ahead of the rest of the GCC or larger Arab world regarding political or high-profile economic engagement with Israel, despite likely mutual economic advantage and some current, quiet trade linkages. End comment.)

12.(U) CODEL Graham has not cleared this cable.
SUTPHIN